

## **MEO and REO - What are they and how will they impact Fort Detrick?**

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Two years into the U.S. Army Garrison mandated Commercial Activities (CA) Study, some employees are still confused about where we stand, and what terms such as MEO, REO mean. Several members of the CA Steering Committee were asked to clear up some terms and describe where we are in the process.

"Since June 1999, the U.S. Army Garrison (USAG), Fort Detrick, has been in the process of conducting a multi-functional Commercial Activities (CA) Study to determine whether the government, or a private sector contractor, can provide the services of selected base operations functions to Fort Detrick's customers in the most economical manner possible," said Dennis Babb, CA team leader. "The USAG study was mandated by the Department of the Army (DA) and U.S. Army Medical Command, Fort Detrick's Headquarters."

"The goals of the Army's CA Program are to implement the national policy defined in OMB Circular A-76, and to obtain the most cost effective services through competition," Babb continued. "This doesn't mean our goal is to 'contract-out;' in fact, about half of CA cost competitions result in an in-house decision and the savings claimed by DA are almost as great for in-house decisions as they are for contract decisions. Also, on the plus side," Babb said, "the commercial bidder's total price must be ten percent lower than the government's bid in order to win." The margin, ten percent of MEO's personnel costs, is used to account for the disruption to everyone's life during the study, and also the significant transition costs caused by switching sources of supply, to government MEO or commercial contractor.

"The savings generated from either an in-house or contract decision will have a wide effect on USAG employees and Fort Detrick's tenants," Babb continued. "For our USAG employees, the CA study is difficult and disruptive as this type of change affects people's careers and livelihood. Besides the impact on morale, the savings will have to be realized by operating with fewer employees, some of whom will be displaced through a Reduction in Force (RIF) action." Carol Dick, CA member and chief of the Civilian Personnel Advisory Center (CPAC), said, "The CA study and subsequent RIF may impact USAG's customers as a result of the DoD Priority Placement Program (PPP) being used to fill our tenant's future recruitment actions. "Also, if a decision is made to contract-out, USAG's customers will receive support by a different service provider with changes in organization, personnel, processes, procedures and how services are delivered," Dick explained.

Ron Hildebrand from the Internal Review Office, said, "The concept behind the CA process is to use competition as a motivator to apply changes that meet the

savings goals and improve the efficiency of government operations." He said efficiencies are arrived at through a number of steps:

- Preparation of a Performance Work Statement (PWS), which describes the scope, timeliness, and quality of services to be provided. The current draft PWS can be found on the Internet at: <http://www-usamraa.army.mil>.
- Development of a Most Efficient Organization (MEO) which is the in-house government workforce and organizational structure needed to accomplish the scope of work outlined in the PWS.
- Development of the Residual Organization (REO), which is the in-house government workforce and structure needed to support other USAG customers and the Performing Activity (PA) - either the MEO or a private sector contractor - in their accomplishment of the scope of work outlined in the PWS. "During the competition phase, the cost of the MEO (not REO) is estimated and compared to the private sector bid," Hildebrand emphasized.

"The MEO is developed through an analysis of the PWS to determine the smallest in-house workforce capable of providing those day-to-day services (included in the CA Study) that Fort Detrick's customers rely on to fulfill their own mission responsibilities," Hildebrand said. "What this analysis is expected to produce is an in-house workforce of fewer positions, some at lower grades, that is more efficient/more economical."

Babb said the REO initially includes the functions that were "not" announced for study. "The REO is then further developed (expanded) through an analysis of those functions needed to be manned by in-house personnel whose functions are considered Governmental-In-Nature (GIN) or otherwise necessary to support the PA in their performance of the PWS."

GIN functions are not contractible and include activities that require either the exercise of discretion in applying Government authority or the making of value judgments in rendering decisions for the Government (more information on GIN can be found in Appendix B, DA Pam 5-20), he said.

Some positions were identified as GIN when the study started in 1999, and others were removed from the PWS as they did not logically fit into one of the PWS sections or could not easily be severed from the organization, if contracted. "These GIN and other positions were moved to the REO," Babb said. A management study is being prepared to document the relationship between the MEO, REO and the GIN/exempt staff."

The MEO/REO analysis is to produce the smallest, most economical in-house workforce necessary to adequately support either the MEO or a private sector contractor in their accomplishment of the PWS," Babb stressed. "Regardless if your function is part of the MEO or the REO, there will be a much smaller total government USAG workforce in place at the conclusion of this CA Study - win or lose! "Employees working in the REO will be directly impacted by employees affected by the MEO through either reorganization or a RIF," Babb said.

"As a result of the MEO, many employees will be working in new, redesigned jobs while other jobs could be abolished as a result of the CA management study and RIF," Dick said. "Employees who work in an activity being studied, but are displaced as a result of the CA study and RIF, as well as other USAG employees "bumped" by displaced employees from an activity being studied, are eligible for DoD PPP. "USAG employees whose functions were not listed in the CA study could be adversely affected or displaced through RIF actions on employees who are part of the CA study. It should be noted that employees who retire or separate may also have the option of working for the contractor. Separated employees have the right of first refusal for employment with winning contractors for which they are qualified," Dick continued.

"In addition to requesting authority for early retirement, retirement/buy-out incentives, and employee attrition, we are counting on PPP as a tool to help displaced employees who do not meet the minimum years of service or age requirements for retirement. "We are hoping for an in-house decision, as the RIF action will be smaller and more manageable," she said.

## **Definitions**

**Commercial Activities Study** - Determines whether the government or a private sector contractor can provide services of selected base operations functions to customers.

**Performance Work Statement (PWS)** - Describes the scope, timeliness and quality of services to be provided.

**Most Efficient Organization (MEO)** - The in-house government workforce and organizational structure needed to accomplish the scope of work outlines in the PWS.

**Government-in-Nature (GIN)** - Functions or positions not contractible and include activities that require either the exercise of discretion in applying government authority or the making of value judgements in rendering decisions for the government.

**Reduction in Force (RIF)** - Release of civilian employees by separation, demotion, or reassignment requiring displacement resulting from lack of work, reorganization, or reclassification due to change of duties. An involuntary reduction of civilian personnel.

**Priority Placement Program (PPP)** - It is DoD policy to minimize the adverse effects on employees caused by actions such as, but not limited to, RIFs, base closures, realignments, consolidations, contracting out, position classification decisions, rotations from overseas, and transfers of function.